



**HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2006
OF THE CONDITION AND AFFAIRS OF THE**

Tennessee Behavioral Health, Inc.

NAIC Group Code 0000 (Current Period) 0000 (Prior Period) NAIC Company Code 95780 Employer's ID Number 62-1621636

Organized under the Laws of Tennessee State of Domicile or Port of Entry Tennessee

Country of Domicile United States

Licensed as business type: Life, Accident & Health [] Property/Casualty [] Dental Service Corporation []
 Vision Service Corporation [] Other [] Health Maintenance Organization []
 Hospital, Medical & Dental Service or Indemnity [] Is HMO, Federally Qualified? Yes [] No []

Incorporated/Organized 12/15/1995 Commenced Business 07/01/1996

Statutory Home Office 222 Second Ave. N. Suite 220 , Nashville, TN 37201
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 222 Second Ave. N. Suite 220
(Street and Number)
Nashville, TN 37201 615-313-4463
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 222 Second Ave. N. Suite 220 , Nashville, TN 37201
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 222 Second Ave. N. Suite 220
(Street and Number)
Nashville, TN 37201 615-313-4463
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact Michael Fotinos 410-953-1643
(Name) (Area Code) (Telephone Number) (Extension)
mdfotinos@magellanhealth.com 410-953-5205
(E-mail Address) (FAX Number)

Policyowner Relations Contact _____
(Street and Number)

(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
<u>Russell C. Petrella</u>	<u>President</u>	<u>Andrew Mark Cummings</u>	<u>Secretary</u>

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Mark Steven Demilio Russell C. Petrella

State of Connecticut Title ss
 County of Hartford Avon

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Russell C. Petrella Andrew Mark Cummings
 President Secretary

Subscribed and sworn to before me this
21st day of February 2007
Raymonde A. Pelletier

**RAYMONDE A. PELLETIER
NOTARY PUBLIC
MY COMMISSION EXPIRES AUG. 31, 2008**

- a. Is this an original filing? Yes [X] No []
 b. If no,
 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____

RECEIVED
 2007 MAR -1 PM 1:22
 C&I TENNCARE

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	2,600,002		2,600,002	3,201,199
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks .....	.0		.0	.0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			.0	.0
4.2 Properties held for the production of income (less \$ encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ encumbrances) .....			.0	.0
5. Cash (\$41,505,185 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$0 , Schedule DA).....	41,505,185		41,505,185	44,116,556
6. Contract loans, (including \$premium notes)			.0	.0
7. Other invested assets (Schedule BA) .....	.0	.0	.0	.0
8. Receivables for securities .....			.0	.0
9. Aggregate write-ins for invested assets .....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9)	44,105,187	.0	44,105,187	47,317,755
11. Title plants less \$charged off (for Title Insurers only) .....			.0	.0
12. Investment income due and accrued	61,332		61,332	63,042
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	3,531,316		3,531,316	2,401,499
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			.0	.0
13.3 Accrued retrospective premium.....			.0	.0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			.0	.0
14.2 Funds held by or deposited with reinsured companies .....			.0	.0
14.3 Other amounts receivable under reinsurance contracts .....			.0	.0
15. Amounts receivable relating to uninsured plans .....			.0	.0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
16.2 Net deferred tax asset.....			.0	.0
17. Guaranty funds receivable or on deposit .....			.0	.0
18. Electronic data processing equipment and software.....			.0	.0
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			.0	.0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
21. Receivables from parent, subsidiaries and affiliates	8,782		8,782	41,595
22. Health care (\$155,723) and other amounts receivable.....	155,723	55,723	100,000	.0
23. Aggregate write-ins for other than invested assets .....	.0	.0	.0	.0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	47,862,340	55,723	47,806,617	49,823,891
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
26. Total (Lines 24 and 25)	47,862,340	55,723	47,806,617	49,823,891
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0	.0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Risk Share Receivable.....			.0	.0
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page .....	.0	.0	.0	.0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	16,424,922		16,424,922	23,107,471
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	384,199
9. General expenses due or accrued	321,852		321,852	326,396
10.1 Current federal and foreign income tax payable and interest thereon (including				
\$ on realized capital gains (losses))	6,461,693		6,461,693	5,402,550
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	244,885		244,885	208,620
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	5,062,680	0	5,062,680	1,877,167
22. Total liabilities (Lines 1 to 21)	28,516,032	0	28,516,032	31,306,403
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	1,000	1,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	12,682,036	12,682,036
27. Surplus notes	XXX	XXX		11,168,341
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	6,607,549	(5,333,889)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	19,290,585	18,517,488
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	47,806,617	49,823,891
DETAILS OF WRITE-INS				
2101. Premium Tax Payable	1,001,169		1,001,169	1,344,729
2102. Unclaimed Property	158,444		158,444	254,702
2103. Payable to State of Tennessee/Risk Share Payable	3,903,067		3,903,067	277,736
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	5,062,680	0	5,062,680	1,877,167
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	7,244,417	8,094,934
2. Net premium income (including \$0 non-health premium income).....	XXX	194,478,083	219,412,513
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	(4,038,639)	(2,403,984)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	190,439,444	217,008,529
Hospital and Medical:			
9. Hospital/medical benefits		74,522,549	87,302,500
10. Other professional services		77,985,575	88,321,091
11. Outside referrals			0
12. Emergency room and out-of-area			0
13. Prescription drugs			0
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15)	0	152,508,124	175,623,591
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	152,508,124	175,623,591
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$0 cost containment expenses.....		1,944,781	2,194,125
21. General administrative expenses.....		19,860,200	22,769,126
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	174,313,105	200,586,842
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	16,126,339	16,421,687
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		2,330,831	1,091,199
26. Net realized capital gains (losses) less capital gains tax of \$			0
27. Net investment gains (losses) (Lines 25 plus 26)	0	2,330,831	1,091,199
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	18,457,170	17,512,886
31. Federal and foreign income taxes incurred	XXX	6,460,009	6,129,510
32. Net income (loss) (Lines 30 minus 31)	XXX	11,997,161	11,383,376
DETAILS OF WRITE-INS			
0601. Risk Share.....	XXX	(4,038,639)	(2,403,984)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	(4,038,639)	(2,403,984)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	18,517,488	7,133,779
34. Net income or (loss) from Line 32	11,997,161	11,383,376
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		0
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	(55,723)	333
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	(11,168,341)	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in		0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in		0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	773,097	11,383,709
49. Capital and surplus end of reporting period (Line 33 plus 48)	19,290,585	18,517,488
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

Tennessee Behavioral Health, Inc. - Middle/West Regions
BHO TennCare Operations Statement of Revenue and Expenses
For the Year Ending December 31, 2006
Report 2A

	Current Quarter	Year to Date Total
Member Months	506,255	2,068,865
Revenues		
TennCare Capitation	15,928,356	59,537,506
Risk Share	(1,104,689)	(4,038,639)
Investment (Interest)	167,382	672,616
Other Revenues	0	0
Total Revenues	14,991,048	56,171,483
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	4,468,751	15,303,949
Inpatient Substance Abuse Treatment and Detox	63,086	310,522
Outpatient Mental Health Services	2,733,308	10,101,039
Outpatient Substance Abuse Treatment and Detox	221,256	817,648
Housing/Residential Treatment	868,957	3,579,722
Specialized Crisis Services	542,536	2,121,514
Psychiatric Rehab and Support Services	180,984	707,714
Case Management	2,092,695	8,908,856
Forensics		
Other Judicial		
Pharmacy		
Lab Services	21,873	57,889
Transportation	348,649	1,156,316
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	11,542,096	43,065,169
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	11,542,096	43,065,169
Claim Adjustment Expense	159,283	595,375
Administration ¹		
Rent	26,466	75,711
Salaries and Wages	685,472	2,723,307
Commissions	(3,556)	8,200
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	(2,195)	31,264
Medical examination fees		
Utilization management		
Certifications and accreditation	233	234
Auditing, actuarial and other consulting services	146,397	328,551
Traveling expenses	39,390	99,349
Marketing and advertising	12,422	65,247
Postage, express, telegraph and telephone	23,985	121,539
Printing and stationary	(32,785)	79,735
Occupancy, depreciation and amortization	311,714	1,243,127
Rental of equipment	(221)	1,927
Outsourced services includes EDP, claims, and other services	(46,327)	(2,189)
Books and periodicals		
Boards, bureaus and association fees	1,185	16,262
Insurance, except on real estate		
Collection and bank service charges	7,353	24,087
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	546	1,446
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	296,519	1,110,023
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	9,510	21,075
Investment expenses not included elsewhere		
Write-Ins		
Total Administrative Expenses	1,476,107	5,948,894
Total Expenses	13,177,486	49,609,437
Income/(loss) before allocated income taxes	1,813,562	6,562,045
Benefit (provision) for income taxes	(634,747)	(2,296,716)
Net Income (Loss)	1,178,815	4,265,329

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	192,550,758	215,541,545
2. Net investment income	2,333,738	958,973
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	194,884,496	216,500,518
5. Benefits and loss related payments	161,331,711	173,393,671
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	20,194,948	26,204,231
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	5,400,867	0
10. Total (Lines 5 through 9)	186,927,526	199,597,902
11. Net cash from operations (Line 4 minus Line 10)	7,956,970	16,902,616
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	600,000	2,600,000
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	600,000	2,600,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	0	2,600,598
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	2,600,598
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	600,000	(598)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(11,168,341)	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(11,168,341)	0
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(2,611,371)	16,902,018
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	44,116,556	27,214,538
19.2 End of year (Line 18 plus Line 19.1).....	41,505,185	44,116,556

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Conversion of debt to equity.....	0	0
20.0002. Assets acquired by assuming directly related liabilities.....	0	0
20.0003. Exchange of non-cash assets or liabilities.....	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	194,478,083	.0	.0	.0	.0	.0	.0	194,478,083	.0	.0	.0	.0	.0
2. Change in unearned premium reserves and reserve for rate credit	.0												
3. Fee-for-service (net of \$ medical expenses)	.0												XXX
4. Risk revenue	.0												XXX
5. Aggregate write-ins for other health care related revenues	(4,038,639)	.0	.0	.0	.0	.0	.0	(4,038,639)	.0	.0	.0	.0	XXX
6. Aggregate write-ins for other non-health care related revenues	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
7. Total revenues (Lines 1 to 6)	190,439,444	.0	.0	.0	.0	.0	.0	190,439,444	.0	.0	.0	.0	.0
8. Hospital/medical benefits	74,522,549							74,522,549					XXX
9. Other professional services	77,985,575							77,985,575					XXX
10. Outside referrals	.0												XXX
11. Emergency room and out-of-area	.0												XXX
12. Prescription Drugs	.0												XXX
13. Aggregate write-ins for other hospital and medical	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	.0												XXX
15. Subtotal (Lines 8 to 14)	152,508,124	.0	.0	.0	.0	.0	.0	152,508,124	.0	.0	.0	.0	XXX
16. Net reinsurance recoveries	.0												XXX
17. Total hospital and medical (Lines 15 minus 16)	152,508,124	.0	.0	.0	.0	.0	.0	152,508,124	.0	.0	.0	.0	XXX
18. Non-health claims (net)	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
19. Claims adjustment expenses including \$ cost containment expenses	1,944,781							1,944,781					
20. General administrative expenses	19,860,200							19,860,200					
21. Increase in reserves for accident and health contracts	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
22. Increase in reserves for life contracts	.0												
23. Total underwriting deductions (Lines 17 to 22)	174,313,105	.0	.0	.0	.0	.0	.0	174,313,105	.0	.0	.0	.0	.0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	16,126,339	.0	.0	.0	.0	.0	.0	16,126,339	.0	.0	.0	.0	.0
DETAILS OF WRITE-INS													
0501. Risk Share	(4,038,639)							(4,038,639)					XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	(4,038,639)	.0	.0	.0	.0	.0	.0	(4,038,639)	.0	.0	.0	.0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0698. Summary of remaining write-ins for Line 6 from overflow page	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....				.0
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....	194,478,083			194,478,083
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health.....				.0
12. Health subtotal (Lines 1 through 11)	194,478,083	.0	.0	194,478,083
13. Life .....				.0
14. Property/Casualty.....				.0
15. Totals (Lines 12 to 14)	194,478,083	0	0	194,478,083

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	159,190,673							159,190,673					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	159,190,673	0	0	0	0	0	0	159,190,673	0	0	0	0	0
2. Paid medical incentive pools and bonuses	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	16,424,922	0	0	0	0	0	0	16,424,922	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	16,424,922	0	0	0	0	0	0	16,424,922	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0												
6. Net healthcare receivables (a)	0												
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	23,107,471	0	0	0	0	0	0	23,107,471	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	23,107,471	0	0	0	0	0	0	23,107,471	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:													
12.1 Direct	152,508,124	0	0	0	0	0	0	152,508,124	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	152,508,124	0	0	0	0	0	0	152,508,124	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct	0												
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	16,424,922							16,424,922					
2.2. Reinsurance assumed	0												
2.3. Reinsurance ceded	0												
2.4. Net	16,424,922	0	0	0	0	0	0	16,424,922	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct	0												
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. TOTALS:													
4.1. Direct	16,424,922	0	0	0	0	0	0	16,424,922	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net	16,424,922	0	0	0	0	0	0	16,424,922	0	0	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan Premiums .....					.0	.0
6. Title XVIII - Medicare .....					.0	.0
7. Title XIX - Medicaid.....	17,936,102	141,254,571	547,362	15,877,560	18,483,464	23,107,471
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	17,936,102	141,254,571	547,362	15,877,560	18,483,464	23,107,471
10. Healthcare receivables (a).....					.0	.0
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals (Lines 9 - 10 + 11 + 12)	17,936,102	141,254,571	547,362	15,877,560	18,483,464	23,107,471

(a) Excludes \$loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	7,696	8,413	9,227	9,255	9,255
2. 2002	86,445	89,298	89,256	89,474	89,474
3. 2003	XXX	102,123	108,683	108,885	108,873
4. 2004	XXX	XXX	142,232	151,210	151,911
5. 2005	XXX	XXX	XXX	161,940	179,187
6. 2006	XXX	XXX	XXX	XXX	141,255

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	8,231	8,467	9,243	9,255	9,255
2. 2002	89,897	89,689	89,380	89,474	89,474
3. 2003	XXX	108,934	108,867	109,146	108,873
4. 2004	XXX	XXX	160,758	152,397	152,213
5. 2005	XXX	XXX	XXX	183,599	179,432
6. 2006	XXX	XXX	XXX	XXX	157,133

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002	101,310	89,474	707	0.8	90,181	89.0			90,181	89.0
2. 2003	118,815	108,873	1,407	1.3	110,280	92.8			110,280	92.8
3. 2004	177,615	151,911	1,211	0.8	153,122	86.2	302		153,424	86.4
4. 2005	219,413	179,187	1,926	1.1	181,113	82.5	245		181,358	82.7
5. 2006	194,478	141,255	1,945	1.4	143,200	73.6	15,878		159,078	81.8

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	7,696	8,413	9,227	9,255	9,255
2. 2002	86,445	89,298	89,256	89,474	89,474
3. 2003	XXX	102,123	108,683	108,885	108,873
4. 2004	XXX	XXX	142,232	151,210	151,911
5. 2005	XXX	XXX	XXX	161,940	179,187
6. 2006	XXX	XXX	XXX	XXX	141,255

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	8,231	8,467	9,243	9,255	9,255
2. 2002	89,897	89,689	89,380	89,474	89,474
3. 2003	XXX	108,934	108,867	109,146	108,873
4. 2004	XXX	XXX	160,758	152,397	152,213
5. 2005	XXX	XXX	XXX	183,599	179,432
6. 2006	XXX	XXX	XXX	XXX	157,133

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002	101,310	89,474	707	0.8	90,181	89.0	0	0	90,181	89.0
2. 2003	118,815	108,873	1,407	1.3	110,280	92.8	0	0	110,280	92.8
3. 2004	177,615	151,911	1,211	0.8	153,122	86.2	302	0	153,424	86.4
4. 2005	219,413	179,187	1,926	1.1	181,113	82.5	245	0	181,358	82.7
5. 2006	194,478	141,255	1,945	1.4	143,200	73.6	15,878	0	159,078	81.8

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves .....	.0											
2. Additional policy reserves (a) .....	.0											
3. Reserve for future contingent benefits .....	.0											
4. Reserve for rate credits or experience rating refunds (including \$ for investment income) .....	.0											
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0											
8. Totals (Net) (Page 3, Line 4)	0	0				0	0	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims .....	.0											
10. Reserve for future contingent benefits .....	.0											
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0											
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

NONE

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....			247,309		247,309
2. Salaries, wages and other benefits.....			8,895,628		8,895,628
3. Commissions (less \$ceded plus \$assumed.....)			26,784		26,784
4. Legal fees and expenses.....			102,122		102,122
5. Certifications and accreditation fees.....			765		765
6. Auditing, actuarial and other consulting services.....			1,078,553		1,078,553
7. Traveling expenses.....			324,522		324,522
8. Marketing and advertising.....			213,129		213,129
9. Postage, express and telephone.....			397,005		397,005
10. Printing and office supplies.....			528,886		528,886
11. Occupancy, depreciation and amortization.....			4,056,693		4,056,693
12. Equipment.....			6,296		6,296
13. Cost or depreciation of EDP equipment and software.....					0
14. Outsourced services including EDP, claims, and other services.....			(7,151)		(7,151)
15. Boards, bureaus and association fees.....			53,121		53,121
16. Insurance, except on real estate.....					0
17. Collection and bank service charges.....			75,223		75,223
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....			4,722		4,722
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			3,808,834		3,808,834
23.3 Regulatory authority licenses and fees.....					0
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....			47,759		47,759
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	1,944,781	0	0	1,944,781
26. Total expenses incurred (Lines 1 to 25).....	0	1,944,781	19,860,200	0	(a).....21,804,981
27. Less expenses unpaid December 31, current year.....			321,852		321,852
28. Add expenses unpaid December 31, prior year.....	0	0	326,396	0	326,396
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	0	1,944,781	19,864,744	0	21,809,525
DETAIL OF WRITE-INS					
2501. Claims processing allocated from parent.....		1,944,781			1,944,781
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	0	1,944,781	0	0	1,944,781

(a) Includes management fees of \$to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 129,053	127,296
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,203,535	2,203,535
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	2,332,588	2,330,831
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		0
17. Net Investment Income - (Line 10 minus Line 16)		2,330,831
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ accrual of discount less \$ 1,197 amortization of premium and less \$ paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				0
1.1 Bonds exempt from U.S. tax				0
1.2 Other bonds (unaffiliated)				0
1.3 Bonds of affiliates		0	0	0
2.1 Preferred stocks (unaffiliated)		0	0	0
2.11 Preferred stocks of affiliates		0	0	0
2.2 Common stocks (unaffiliated)				0
2.21 Common stocks of affiliates	0	0	0	0
3. Mortgage loans				0
4. Real estate				0
5. Contract loans				0
6. Cash, cash equivalents and short-term investments				0
7. Derivative instruments				0
8. Other invested assets				0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0
10. Total capital gains (losses)	0	0	0	0
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0

NONE

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	55,723	0	(55,723)
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	55,723	0	(55,723)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	55,723	0	(55,723)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Risk Share Receivable.....	0	0	0
2302. ASO Receivables.....	0	0	0
2303. Charter Receivable.....	0	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0					
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	609,835	605,759	599,267	601,679	595,458	7,244,417
7. Total	609,835	605,759	599,267	601,679	595,458	7,244,417
DETAILS OF WRITE-INS						
0601. Behavioral Health Organization.....	609,835	605,759	599,267	601,679	595,458	7,244,417
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	609,835	605,759	599,267	601,679	595,458	7,244,417

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

EXHIBIT 7 PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total Payments	3 Total Members Covered	4 Column 3 as a % of Total Members	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	73,868,638	46.4		.0		73,868,638
2. Intermediaries .....	.0	.0		.0		
3. All other providers	515,545	.3		.0		515,545
4. Total capitation payments	74,384,183	46.7	0	.0	0	74,384,183
Other Payments:						
5. Fee-for-service	55,557,336	34.9	XXX	XXX		55,557,336
6. Contractual fee payments	18,816,604	11.8	XXX	XXX		18,816,604
7. Bonus/withhold arrangements - fee-for-service .....	.0	.0	XXX	XXX		
8. Bonus/withhold arrangements - contractual fee payments .....	.0	.0	XXX	XXX		
9. Non-contingent salaries .....	.0	.0	XXX	XXX		
10. Aggregate cost arrangements .....	.0	.0	XXX	XXX		
11. All other payments	10,432,550	6.6	XXX	XXX		10,432,550
12. Total other payments	84,806,490	53.3	XXX	XXX	0	84,806,490
13. Total (Line 4 plus Line 12)	159,190,673	100 %	XXX	XXX	0	159,190,673

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
NONE					
9999999 Totals			XXX	XXX	XXX

23

EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

Description	1 Cost	2 Improvements	3 Accumulated Depreciation	4 Book Value Less Encumbrances	5 Assets Not Admitted	6 Net Admitted Assets
1. Administrative furniture and equipment	NONE					
2. Medical furniture, equipment and fixtures						
3. Pharmaceuticals and surgical supplies						
4. Durable medical equipment						
5. Other property and equipment						
6. Total	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. ACCOUNTING PRACTICES

The accompanying financial statements of Tennessee Behavioral Health, Inc. ("TBH" or the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

B. USE OF ESTIMATES IN PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

C. ACCOUNTING POLICY

CASH AND SHORT TERM INVESTMENTS:

Cash and short-term investments consist of cash on hand and in banks, along with commercial paper whose maturities at time of acquisition were one year or less and whose carrying value approximate their fair market value.

REVENUE AND PREMIUMS RECEIVABLE:

Capitation payments are recognized as revenue in the month due to the Company. The State of Tennessee TennCare mental health services program ("TennCare") retains a one month withhold – currently at 2.5% - on premiums paid to TBH pursuant to Section 4.7.2 of the Provider Risk Contract (the "Contract"). The purpose of this withhold is to assure the Contractor's compliance with all terms and conditions of the Contract. Additionally, retroactive membership adjustments for both the East and Middle/West region contracts are paid over a twelve month period. As these retroactive membership adjustments are material to the Company's results, the Company records an estimated receivable, based on historical payment patterns. This receivable is included as a component of Uncollected Premiums in the accompanying financial statements.

Per Section 4.7.1.2 of the Contract, the Company elected to participate in a profit/loss risk banding arrangement with the State of Tennessee (the "State"). Effective January 2002, the company elected to use profit/loss risk banding option 2, under which losses up to ten percent are shared equally by the Company and the State and gains up to ten percent are shared seventy percent State and thirty percent Company. Effective January 2006, the profit/loss risk banding terms between the Company and the State were amended. Under the terms of the amendment, the Company and the State share gains above a medical loss ratio of 85% and losses above a medical loss ratio of 91%, equally. The profit/loss risk banding terms do not apply to the East region contract which started in July 2004. Risk share revenue is recognized on a monthly basis consistent with the applicable terms. The receivable related to the profit/loss risk banding is evaluated monthly, based on current estimates of medical costs. Based on this review, any required adjustment for prior period risk share revenue is recognized.

INVESTMENTS:

Investment securities at December 31, 2006, consist of one U.S. Treasury Notes whose maturities at time of acquisition were greater than one year and whose carrying value approximates the fair market value.

MEDICAL CLAIMS PAYABLE:

The liability for medical claims payable includes estimated medical costs as of December 31, 2006 and expenses necessary to cover the ultimate net costs of investigating and settling all claims. The estimated medical claims payable includes the accumulation of estimates for claims reported prior to year-end and estimates of claims incurred but not reported.

Medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon authorized healthcare services and past claims payment experience, together with historical utilization experience and management judgment. Estimates are monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected by the Company in current operations.

Note 2 - Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State. Effective January 1, 2001, the State required that insurance companies domiciled in the State of Tennessee prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Tennessee insurance commissioner.

There have been no significant changes to any estimates, contingent liabilities, leases or any other subsequent event that would impact the presentation of these statements.

Note 3 - Business Combinations and Goodwill

- A. Statutory Purchase Method – Not applicable.
- B. Statutory Merger - Not applicable.
- C. Assumption Reinsurance - Not applicable.
- D. Impairment Loss - Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

- A. Mortgage Loan, including Mezzanine Real Estate Loans – Not applicable.
- B. Debt Restructuring – Not applicable.
- C. Reverse Mortgages – Not applicable.
- D. Loan Backed Securities – Not applicable.
- E. Repurchase Agreements – Not applicable.
- F. Real Estate – Not applicable.
- G. Investments in low-income tax credits – Not applicable.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

The Company does not have any Investments in Joint Ventures, Partnerships, or Limited Liability Companies.

Note 7 - Investment Income

No investment income was excluded from Surplus.

Note 8 - Derivative Instruments

- A. Market risk, credit risk and cash requirements of the derivative – Not applicable.
- B. Objectives for using derivatives – Not applicable.
- C. Accounting policies for recognizing and measuring derivatives used – Not applicable.
- D. Net gain or loss recognized in unrealized gains and losses during the reporting period representing the component of the derivative instruments gain or loss – Not applicable.
- E. Net gain or loss recognized in unrealized gains and losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting – Not applicable.
- F. Derivatives accounted for as cash flow hedges of a forecasted transaction – Not applicable.

Note 9 - Income Taxes

- A. Components of the net deferred tax asset or deferred tax liability – Not applicable.
- B. Deferred tax liabilities that are not recognized – Not applicable.
- C. Components of income taxes incurred – Current tax expense makes up the income tax expense reported on the accompanying financial statements.
- D. Significant book to tax adjustments – Not applicable.
- E.
 - 1. Amounts, origination dates and expiration dates of operating loss and tax credit carry forward amounts available for tax purposes – Not applicable.
 - 2. Amount of federal income taxes incurred in current year that are available for recoupment in the event of future net loss – Not applicable.
- F. Consolidated federal income tax
 - 1. For federal income tax reporting purposes, the Company's operations are included in Magellan Health Services, Inc.'s (Magellan's) consolidated federal tax returns. The Company files a separate state income tax return.
 - 2. The Company maintains federal tax sharing arrangements with Magellan. Through these arrangements, Magellan has allocated \$6,460,009 of provision for income tax for the year ended December 31, 2006. The current arrangement calls for an allocation based on Magellan's effective tax rate before reflecting the allocation and after effecting for permanent differences. This amount is included in the accompanying statement of revenue and expenses. Income taxes receivable and payable are included in due to affiliates in the accompanying statement of liabilities, capital and surplus.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship -

The Company is a wholly owned subsidiary of Magellan Behavioral Health, Inc., which is directly owned by Magellan. The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.

The Company was incorporated and organized in 1995 as a behavioral health organization to apply for participation in the TennCare program. The Company entered into a contract with the State of Tennessee effective July 1, 1996

NOTES TO FINANCIAL STATEMENTS

and now operates under two separate contractual arrangements with the State. The contract to provide services to TennCare recipients in the Middle and West regions of the state, as amended, runs through June 30, 2007. In addition, effective July 1, 2004, the Company entered into a separate contractual arrangement to provide services to receipts in the East region of the State. The East region contract also runs through June 30, 2007, but the State, at its discretion, may extend the contract through December 31, 2010. The State, at its discretion, may terminate either contact with sixty (60) days notice.

The State generally regulates the Company as a Health Maintenance Organization and the Company was licensed during October 2002 as a prepaid limited health service organization. The Company's contract with the State represents its only customer.

Magellan was required to implement the provisions of fresh-start reporting, as prescribed by the American Institute of Certified Public Accountants' Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*. The effects of Magellan's adoption of fresh-start reporting did not impact the Company's financial statements.

- B. Description of transactions – The Company generally has the following transactions with affiliated entities:
 - a. Accounts payable/receivable paid/received by the parent (Magellan Health Service) - \$218,575
 - b. Management fees paid to Magellan and AdvoCare of Tennessee (“AdvoCare”) – see F. below description and amounts.
- C. Dollar amount of transactions – see B
- D. Amounts due to/from relates parties – Balances as of September 30, 2006
 - a. Due from Magellan - \$8,782
 - b. Due to Advocare – (\$244,885)
- E. Guarantees or undertakings for benefit of affiliate – Not applicable.
- F. Material management or service contracts and cost sharing arrangements with related parties –

The Company contracts with AdvoCare of Tennessee, Inc. (“AdvoCare”), a related party, to manage the operations, administrative services and clinical services related to the provision of all mental health benefits, to provide case management services and to arrange primary care and outpatient services. For the year ended December 31, 2006, the Company incurred expense of approximately \$15,558,247 related to these services.

The Company contracts with Magellan Behavioral Health Systems, LLC. to process and pay medical claims. For the year ended December 31, 2006 the Company incurred expense of approximately \$1,944,781 related to these services.

- G. Common ownership or control – Not applicable.
- H. No significant change
- I. Investment in SCA that exceeds 10% - Not applicable.
- J. Investments in impaired SCA entities – Not applicable.
- K. Investment in a foreign insurance subsidiary – Not applicable.

Note 11 - Debt

The Company had entered into a Surplus Note agreement with Merit Behavioral Care of Tennessee (“MBCT”), an affiliated company, dated December 31, 1998 (as amended) in the total amount of \$11,168,341 whereas the lender desired the obligor to meet contractual reserve requirements of the State of Tennessee. The note was repaid on April 13, 2006. The transaction was approved by the Tennessee Department of Commerce and Insurance.

Note 12 - Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan – Not applicable.
- B. Defined Contribution Plans – Not applicable.
- C. Multiemployer Plan – Not applicable.
- D. Consolidated/Holding Company plans – Not applicable.
- E. Post-employment Benefits and Compensated Absences – Not applicable.

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Company must establish and maintain a net worth and working capital which is the greater of either the amount as required by applicable statute; or four percent (4%) of the first one hundred fifty million dollars (\$150,000,000) of annual projected premium revenue plus one and one half percent (1.5%) of annual projected premium revenue over one hundred fifty million dollars (\$150,000,000) where net worth is calculated as net admitted assets in excess of liability as reported in accordance with statutory accounting principles. The Contractor shall establish and maintain the net worth and working capital balances required by applicable statute throughout the term of the contract. As of December 31, 2006, based on 2006 revenues, the Company's net worth requirement is \$6,606,592. The Company is in compliance with this requirement.

On April 13, 2006, the company retired the \$11,168,341 surplus note. The transaction was approved by the Department of Commerce and Insurance.

Note 14 - Contingencies

NOTES TO FINANCIAL STATEMENTS

The Company is party to various other legal proceedings incidental to its business. In the opinion of management, any ultimate liability with respect to these actions will not materially affect the financial position or results of the Company.

The Company is covered under Magellan's professional liability insurance. Coverage is limited to the period in which a claim is asserted, rather than when the incident giving rise to such claim occurred. Management has the intent to renew the insurance coverage, and historically has been able to renew such coverage. In the event Magellan was unable to obtain professional liability insurance at the expiration of the current policy period, it is possible that the Company would be uninsured for claims asserted after the expiration of the current policy period. The claims-made policy has been renewed through June 17, 2007.

Note 15 - Leases

- A. Lessee Operating Lease – Not applicable.
- B. Lessor Leases and Leveraged Leases – Not applicable.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

The Company does not have any financial instruments with off-balance sheet risk. Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments and uncollected premiums. The Company maintains its cash and cash equivalents with what it believes to be high quality financial instruments. The fair value of the Company's investments is substantially equivalent to their carrying value and, although there is some credit risk associated with these investments, the Company believes the risk to be minimal. The Company's uncollected premiums as of year-end are current.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales – Not applicable.
- B. Transfer and Servicing of Financial Assets – Not applicable
- C. Wash Sales – The Company has not engaged in any Wash Sales during the current calendar quarter or year.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans – Not applicable.
- B. ASC Plans – Not applicable
- C. Medicare of Similarly Structured Cost Based Reimbursement contract – Not applicable.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable

Note 20 - September 11 Events

Not applicable.

Note 21 - Other Items

- A. Extraordinary items – Not applicable.
- B. Troubled Debt Restructuring: Debtor – Not applicable
- C. Other Disclosures –
 - a. On July 26, 2006, TennCare announced the managed care organizations which were awarded the contracts to provide integrated behavioral and physical health services in the Middle Region of the State. Since the Company was not a party to either of the contract awards, effective April 1, 2007, the Company will cease providing services to TennCare members in the Middle region.
 - b. In August 2006, the Company remitted \$10 million in reinvestment and profit share funds to the State.
- D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – Not applicable.
- E. Business Interruption Insurance Recoveries – Not applicable.
- F. Hybrid Securities – Not applicable.
- G. State Transferable Tax Credits – Not applicable.
- H. Impact of Medicare Modernization Act – Not applicable

Note 22 - Events Subsequent

None

Note 23 - Reinsurance

NOTES TO FINANCIAL STATEMENTS

- A. Ceded Reinsurance Report – Not applicable.
- B. Uncollectible Reinsurance – Not applicable.
- C. Commutation of Ceded Reinsurance – Not applicable.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

Note 25 - Change in Incurred Claims and Claims Adjustment Expenses

Claims unpaid as of January 1, 2006	\$ 23,107,471
Current year claims paid related to prior years	(17,936,102)
Current year change in claims incurred related to prior years	<u>(4,624,007)</u>
Claims unpaid as of December 31, 2006 related to prior years	<u>\$ 547,362</u>

Note 26 - Intercompany Pooling Arrangements

Not applicable.

Note 27 - Structured Settlements

Not applicable.

Note 28 - Health Care Receivables

The Company has certain health care receivables generated in the normal course of doing business. As of December 31, 2006, the Company has \$155,723 (\$100,000 admitted) in health care receivables related to advances to providers. All such receivables are accounted for consistently with the appropriate NAIC regulations.

Note 29 - Participating Policies

Not applicable.

Note 30 - Premium Deficiency Reserves

Not applicable.

Note 31 - Anticipated Salvage and Subrogation

Not applicable.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.000		0.000
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies	2,600,002	5.895	2,600,002	5.895
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	41,505,185	94.105	41,505,185	94.105
9. Other invested assets		0.000		0.000
10. Total invested assets	44,105,187	100.000	44,105,187	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No [X]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] NA [X]
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.06/30/2006
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.06/30/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).08/26/2005
- 3.4 By what department or departments? TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control;
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
ERNST & YOUNG, LLP, 621 PRATT ST., BALTIMORE, MD 21202
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
MICHAEL J. CELLINI (SENIOR MANAGER AND CONSULTING ACTUARY) ERNST & YOUNG, LLP
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved.....
- 11.13 Total book/adjusted carrying value..... \$.....
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [X] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] NA [X]

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.11 To directors or other officers .. \$.....
- 16.12 To stockholders not officers ... \$.....
- 16.13 Trustees, supreme or grand (Fraternal only) \$.....
- 16.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.21 To directors or other officers ... \$.....
- 16.22 To stockholders not officers \$.....
- 16.23 Trustees, supreme or grand (Fraternal only) \$.....
- 17.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes [] No [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
- 17.21 Rented from others \$.....
- 17.22 Borrowed from others \$.....
- 17.23 Leased from others \$.....
- 17.24 Other \$.....
- 18.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 18.2 If answer is yes,
- 18.21 Amount paid as losses or risk adjustment \$.....
- 18.22 Amount paid as expenses \$.....
- 18.23 Other amounts paid \$.....
- 19.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 19.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount: \$.....8,782

GENERAL INTERROGATORIES

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [] No []

20.2 If no, give full and complete information relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [] No []

21.2 If yes, state the amount thereof at December 31 of the current year:

	21.21	Loaned to others	\$
	21.22	Subject to repurchase agreements	\$
	21.23	Subject to reverse repurchase agreements	\$
	21.24	Subject to dollar repurchase agreements	\$
	21.25	Subject to reverse dollar repurchase agreements	\$
	21.26	Pledged as collateral	\$
	21.27	Placed under option agreements	\$
	21.28	Letter stock or other securities restricted as to sale ...	\$
	21.29	Other	\$

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No []

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA []
If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No []

23.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
US BANK.....	150 4TH AVE 2ND FLOOR, NASHVILLE, TN 37219.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	2 Complete Explanation(s)
.....
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No []

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	2 Address
.....
.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?.....

Yes [] No []

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
25.2999 TOTAL		0

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding Of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....
.....

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
26.1 Bonds.....	2,600,002	2,600,000	(2)
26.2 Preferred stocks.....	0		0
26.3 Totals	2,600,002	2,600,000	(2)

26.4 Describe the sources or methods utilized in determining fair values:

US BANK.....

27.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list the exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

29.1 Amount of payments for legal expenses, if any?.....\$

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U. S. business only \$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
- 1.31 Reason for excluding
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives 0
- All years prior to most current three years:
- 1.64 Total premium earned \$0
- 1.65 Total incurred claims \$0
- 1.66 Number of covered lives 0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$0
- 1.72 Total incurred claims \$0
- 1.73 Number of covered lives 0
- All years prior to most current three years:
- 1.74 Total premium earned \$0
- 1.75 Total incurred claims \$0
- 1.76 Number of covered lives 0

2. Health Test:

	1		2
	Current Year		Prior Year
2.1 Premium Numerator	\$194,478,083	\$	.....219,412,513
2.2 Premium Denominator	\$194,478,083	\$	.....219,412,513
2.3 Premium Ratio (2.1/2.2)	.....1.000		.....1.000
2.4 Reserve Numerator	\$16,424,922	\$	.....23,107,471
2.5 Reserve Denominator	\$16,424,922	\$	.....23,107,471
2.6 Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No []
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [] No [X]
- 5.2 If no, explain:
 THE COMPANY IS A BEHAVIORAL HEALTH ORGANIZATION NOT A HEALTH MAINTENANCE ORGANIZATION (HMO). THERE IS NO MARKET FOR REINSURANCE
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$
- 5.32 Medical Only \$
- 5.33 Medicare Supplement \$
- 5.34 Dental \$
- 5.35 Other Limited Benefit Plan \$
- 5.36 Other \$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
 THE MAJORITY OF OUR MEMBERS ARE COVERED UNDER MEDICAID. PROVIDERS AGREE TO ACCEPT OUR PAYMENT IN FULL AND NOT BALANCE BILL MEMBERS
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] No []
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 4,413
- 8.2 Number of providers at end of reporting year 8,186
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months
- 9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? Yes [] No [X]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$
- 10.22 Amount actually paid for year bonuses \$
- 10.23 Maximum amount payable withholds \$
- 10.24 Amount actually paid for year withholds \$
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [] No [X]
- 11.13 An Individual Practice Association (IPA), or, Yes [] No [X]
- 11.14 A Mixed Model (combination of above) ? Yes [] No [X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []
- 11.3 If yes, show the name of the state requiring such net worth. TENNESSEE
- 11.4 If yes, show the amount required. \$ 6,606,592
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation.
 4% OF REVENUE UP TO \$150,000,000; 1.5% REVENUE IN EXCESS OF \$150,000,000
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
TENNESSEE

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	47,806,617	49,823,891	34,070,102	23,589,187	14,235,578
2. Total liabilities (Page 3, Line 22)	28,516,032	31,306,403	26,936,323	17,030,215	9,350,499
3. Statutory surplus	6,607,549	(5,333,889)	(16,717,598)	(15,492,405)	(15,351,298)
4. Total capital and surplus (Page 3, Line 31)	19,290,585	18,517,488	7,133,779	6,558,972	4,885,079
Income Statement (Page 4)					
5. Total revenues (Line 8)	190,439,444	217,008,529	178,544,766	119,808,080	102,262,260
6. Total medical and hospital expenses (Line 18)	152,508,124	175,623,591	161,158,215	108,961,935	89,087,268
7. Claims adjustment expenses (Line 20)	1,944,781	2,194,125	1,589,695	867,225	870,989
8. Total administrative expenses (Line 21)	19,860,200	22,769,126	18,153,435	11,184,141	10,612,365
9. Net underwriting gain (loss) (Line 24)	16,126,339	16,421,687	(2,356,579)	(1,205,221)	1,691,638
10. Net investment gain (loss) (Line 27)	2,330,831	1,091,199	279,551	178,058	281,524
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income (loss) (Line 32)	11,997,161	11,383,376	(1,350,069)	(1,027,163)	1,973,162
Risk - Based Capital Analysis					
13. Total adjusted capital	19,290,585	18,517,488	7,133,779	6,558,972	4,885,079
14. Authorized control level risk-based capital	5,965,701	5,872,461	5,339,270	3,815,206	3,420,296
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	595,458	609,835	692,859	430,043	439,915
16. Total member months (Column 6, Line 7)	7,244,417	8,094,934	6,771,156	5,101,318	5,123,461
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus 19)	78.4	80.0	90.7	91.7	87.1
19. Cost containment expenses	0.0	0.0	0.0	XXX	XXX
20. Other claims adjustment expenses	1.0	1.0	0.9	0.0	0.0
21. Total underwriting deductions (Line 23)	89.6	91.4	101.9	101.9	98.3
22. Total underwriting gain (loss) (Line 24)	8.3	7.5	(1.3)	(1.0)	1.6
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	18,483,464	10,874,749	7,886,574	6,014,527	8,198,319
24. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	23,107,471	18,850,097	7,255,890	5,987,160	11,040,499
Investments In Parent, Subsidiaries And Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	0	0	0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate	0	0	0	0	0
30. All other affiliated	0	0	0	0	0
31. Total of above Lines 25 to 30	0	0	0	0	0



ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

Tennessee Behavioral Health, Inc.

2.

(LOCATION)

NAIC Group Code 0000

BUSINESS IN THE STATE OF Tennessee

DURING THE YEAR 2006

NAIC Company Code 95780

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior Year	609,835								609,835				
2. First Quarter	605,759								605,759				
3. Second Quarter	599,267								599,267				
4. Third Quarter	601,679								601,679				
5. Current Year	595,458								595,458				
6. Current Year Member Months	7,244,417								7,244,417				
Total Member Ambulatory Encounters for Year:													
7. Physician	255,992								255,992				
8. Non-Physician	867,651								867,651				
9. Total	1,123,643	0	0	0	0	0	0	0	1,123,643	0	0	0	0
10. Hospital Patient Days Incurred	156,148								156,148				
11. Number of Inpatient Admissions	13,579								13,579				
12. Health Premiums Written	194,478,083								194,478,083				
13. Life Premiums Direct	0												
14. Property/Casualty Premiums Written	0												
15. Health Premiums Earned	0												
16. Property/Casualty Premiums Earned	0												
17. Amount Paid for Provision of Health Care Services	159,190,673								159,190,673				
18. Amount Incurred for Provision of Health Care Services	152,508,124								152,508,124				

(a) For health business: number of persons insured under PPO managed care products _____ and number of persons under indemnity only products _____

30.TN



ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

Tennessee Behavioral Health, Inc.

2.

(LOCATION)

NAIC Group Code	0000	BUSINESS IN THE STATE OF Consolidated		DURING THE YEAR 2006									NAIC Company Code	95780
	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other	
		2 Individual	3 Group											
Total Members at end of:														
1. Prior Year	609,835	0	0	0	0	0	0	0	609,835	0	0	0	0	
2. First Quarter	605,759	0	0	0	0	0	0	0	605,759	0	0	0	0	
3. Second Quarter	599,267	0	0	0	0	0	0	0	599,267	0	0	0	0	
4. Third Quarter	601,679	0	0	0	0	0	0	0	601,679	0	0	0	0	
5. Current Year	595,458	0	0	0	0	0	0	0	595,458	0	0	0	0	
6. Current Year Member Months	7,244,417	0	0	0	0	0	0	0	7,244,417	0	0	0	0	
Total Member Ambulatory Encounters for Year:														
7. Physician	255,992	0	0	0	0	0	0	0	255,992	0	0	0	0	
8. Non-Physician	867,651	0	0	0	0	0	0	0	867,651	0	0	0	0	
9. Total	1,123,643	0	0	0	0	0	0	0	1,123,643	0	0	0	0	
10. Hospital Patient Days Incurred	156,148	0	0	0	0	0	0	0	156,148	0	0	0	0	
11. Number of Inpatient Admissions	13,579	0	0	0	0	0	0	0	13,579	0	0	0	0	
12. Health Premiums Written	194,478,083	0	0	0	0	0	0	0	194,478,083	0	0	0	0	
13. Life Premiums Direct	0	0	0	0	0	0	0	0	0	0	0	0	0	
14. Property/Casualty Premiums Written	0	0	0	0	0	0	0	0	0	0	0	0	0	
15. Health Premiums Earned	0	0	0	0	0	0	0	0	0	0	0	0	0	
16. Property/Casualty Premiums Earned	0	0	0	0	0	0	0	0	0	0	0	0	0	
17. Amount Paid for Provision of Health Care Services	159,190,673	0	0	0	0	0	0	0	159,190,673	0	0	0	0	
18. Amount Incurred for Provision of Health Care Services	152,508,124	0	0	0	0	0	0	0	152,508,124	0	0	0	0	

(a) For health business: number of persons insured under PPO managed care products 0 and number of persons under indemnity only products 0

30.GT

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1. Book/adjusted carrying value, December 31, prior year.....	0
2. Increase (decrease) by adjustment:	
2.1 Totals, Part 1, Column 11.....	0
2.2 Totals, Part 3, Column 7.....	0
3. Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances, Column 7, and net of credit to permanent improvements (Column 9).....	0
4. Cost of additions and permanent improvements:	
4.1 Totals, Part 1, Column 14.....	0
4.2 Totals, Part 3, Column 9.....	0
5. Total profit (loss) on sales, Part 3, Column 14.....	0
6. Increase (decrease) by foreign exchange adjustment:	
6.1 Totals, Part 1, Column 12.....	0
6.2 Totals, Part 3, Column 8.....	0
7. Amounts received on sales, Part 3, Column 11 and Part 1, Column 13.....	0
8. Book/adjusted carrying value at end of current period.....	0
9. Total valuation allowance.....	0
10. Subtotal (Lines 8 plus 9).....	0
11. Total nonadmitted amounts.....	0
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column).....	0

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31, prior year.....	0
2. Amount loaned during year:	
2.1 Actual cost at time of acquisitions.....	0
2.2 Additional investment made after acquisitions.....	0
3. Accrual of discount and mortgage interest points and commitment fees.....	0
4. Increase (decrease) by adjustment.....	0
5. Total profit (loss) on sale.....	0
6. Amounts paid on account or in full during the year.....	0
7. Amortization of premium.....	0
8. Increase (decrease) by foreign exchange adjustment.....	0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	0
10. Total valuation allowance.....	0
11. Subtotal (Lines 9 plus 10).....	0
12. Total nonadmitted amounts.....	0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column).....	0

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Long-Term Invested Assets

1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	0
2. Cost of acquisitions during year:	
2.1 Actual cost at time of acquisitions.....	0
2.2 Additional investment made after acquisitions.....	0
3. Accrual of discount.....	0
4. Increase (decrease) by adjustment.....	0
5. Total profit (loss) on sale.....	0
6. Amounts paid on account or in full during the year.....	0
7. Amortization of premium.....	0
8. Increase (decrease) by foreign exchange adjustment.....	0
9. Book/adjusted carrying value of long-term invested assets at end of current period.....	0
10. Total valuation allowance.....	0
11. Subtotal (Lines 9 plus 10).....	0
12. Total nonadmitted amounts.....	0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	0

NONE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	2,600,002	2,600,000	2,600,598	2,600,000
	2. Canada				
	3. Other Countries				
	4. Totals	2,600,002	2,600,000	2,600,598	2,600,000
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	2,600,002	2,600,000	2,600,598	2,600,000
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	0
	40. Total Preferred Stocks	0	0	0	0
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals	0	0	0	0
	54. Total Common Stocks	0	0	0	0
	55. Total Stocks	0	0	0	0
	56. Total Bonds and Stocks	2,600,002	2,600,000	2,600,598	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	3,201,199	7. Amortization of premium.....	1,197
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	0	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....		8.1 Column 15, Part 1.....	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	0	8.3 Column 16, Part 2, Sec. 2.....	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	0	8.4 Column 15, Part 4.....	0
4.3 Column 15, Part 2, Sec. 2.....	0	9. Book/adjusted carrying value at end of current period.....	2,600,002
4.4 Columns 11 - 13, Part 4.....	0	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	0	11. Subtotal (Lines 9 plus 10).....	2,600,002
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4.....	600,000	12. Total nonadmitted amounts.....	
		13. Statement value of bonds and stocks, current period.....	2,600,002

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1	0	2,600,002				2,600,002	100.0	3,201,199	100.0	2,600,002	
1.2 Class 2						0	0.0	0	0.0		
1.3 Class 3						0	0.0	0	0.0		
1.4 Class 4						0	0.0	0	0.0		
1.5 Class 5						0	0.0	0	0.0		
1.6 Class 6						0	0.0	0	0.0		
1.7 Totals	0	2,600,002	0	0	0	2,600,002	100.0	3,201,199	100.0	2,600,002	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1						0	0.0	0	0.0		
2.2 Class 2						0	0.0	0	0.0		
2.3 Class 3						0	0.0	0	0.0		
2.4 Class 4						0	0.0	0	0.0		
2.5 Class 5						0	0.0	0	0.0		
2.6 Class 6						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1						0	0.0	0	0.0		
3.2 Class 2						0	0.0	0	0.0		
3.3 Class 3						0	0.0	0	0.0		
3.4 Class 4						0	0.0	0	0.0		
3.5 Class 5						0	0.0	0	0.0		
3.6 Class 6						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1						0	0.0	0	0.0		
4.2 Class 2						0	0.0	0	0.0		
4.3 Class 3						0	0.0	0	0.0		
4.4 Class 4						0	0.0	0	0.0		
4.5 Class 5						0	0.0	0	0.0		
4.6 Class 6						0	0.0	0	0.0		
4.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1						0	0.0	0	0.0		
5.2 Class 2						0	0.0	0	0.0		
5.3 Class 3						0	0.0	0	0.0		
5.4 Class 4						0	0.0	0	0.0		
5.5 Class 5						0	0.0	0	0.0		
5.6 Class 6						0	0.0	0	0.0		
5.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1 .....						.0	.0	.0	.0		
6.2 Class 2 .....						.0	.0	.0	.0		
6.3 Class 3 .....						.0	.0	.0	.0		
6.4 Class 4 .....						.0	.0	.0	.0		
6.5 Class 5 .....						.0	.0	.0	.0		
6.6 Class 6						0	0.0	0	0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1 .....						.0	.0	.0	.0		
7.2 Class 2 .....						.0	.0	.0	.0		
7.3 Class 3 .....						.0	.0	.0	.0		
7.4 Class 4 .....						.0	.0	.0	.0		
7.5 Class 5 .....						.0	.0	.0	.0		
7.6 Class 6						0	0.0	0	0.0		
7.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1 .....						.0	.0	.0	.0		
8.2 Class 2 .....						.0	.0	.0	.0		
8.3 Class 3 .....						.0	.0	.0	.0		
8.4 Class 4 .....						.0	.0	.0	.0		
8.5 Class 5 .....						.0	.0	.0	.0		
8.6 Class 6						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1 .....						.0	.0	.0	.0		
9.2 Class 2 .....						.0	.0	.0	.0		
9.3 Class 3 .....						.0	.0	.0	.0		
9.4 Class 4 .....						.0	.0	.0	.0		
9.5 Class 5 .....						.0	.0	.0	.0		
9.6 Class 6						0	0.0	0	0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1	.0	2,600,002	.0	.0	.0	2,600,002	100.0	XXX	XXX	2,600,002	.0
10.2 Class 2	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.3 Class 3	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.4 Class 4	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.5 Class 5	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.6 Class 6	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.7 Totals	.0	2,600,002	.0	.0	.0	2,600,002	100.0	XXX	XXX	2,600,002	.0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Class 1	.0	3,201,199	.0	.0	.0	XXX	XXX	3,201,199	100.0	3,201,199	.0
11.2 Class 2	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.3 Class 3	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.4 Class 4	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.5 Class 5	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.6 Class 6	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.7 Totals	.0	3,201,199	.0	.0	.0	XXX	XXX	3,201,199	100.0	3,201,199	.0
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Class 1	.0	2,600,002	.0	.0	.0	2,600,002	100.0	3,201,199	100.0	2,600,002	XXX
12.2 Class 2	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.3 Class 3	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.4 Class 4	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.5 Class 5	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.6 Class 6	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.7 Totals	.0	2,600,002	.0	.0	.0	2,600,002	100.0	3,201,199	100.0	2,600,002	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Class 1	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.2 Class 2	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.3 Class 3	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.4 Class 4	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.5 Class 5	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.6 Class 6	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.7 Totals	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

(a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
 (b) Includes \$ current year, \$ prior year of bonds with Z designations and \$, current year, \$ prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
 (c) Includes \$ current year, \$ prior year of bonds with 5* designations and \$, current year, \$ prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

35

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations		2,600,002				2,600,002	100.0	3,201,199	100.0	2,600,002	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
1.7 Totals	0	2,600,002	0	0	0	2,600,002	100.0	3,201,199	100.0	2,600,002	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations						0	0.0	0	0.0		
2.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
2.3 Defined						0	0.0	0	0.0		
2.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
2.5 Defined						0	0.0	0	0.0		
2.6 Other						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories, and Possessions Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations						0	0.0	0	0.0		
3.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
3.3 Defined						0	0.0	0	0.0		
3.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
3.5 Defined						0	0.0	0	0.0		
3.6 Other						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations						0	0.0	0	0.0		
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
4.3 Defined						0	0.0	0	0.0		
4.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
4.5 Defined						0	0.0	0	0.0		
4.6 Other						0	0.0	0	0.0		
4.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Issuer Obligations						0	0.0	0	0.0		
5.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
5.3 Defined						0	0.0	0	0.0		
5.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
5.5 Defined						0	0.0	0	0.0		
5.6 Other						0	0.0	0	0.0		
5.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

36

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations .....						.0	.0.0	.0	.0.0		
6.2 Single Class Mortgage-Backed/Asset-Based Securities .....						.0	.0.0	.0	.0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
6.3 Defined .....						.0	.0.0	.0	.0.0		
6.4 Other .....						.0	.0.0	.0	.0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
6.5 Defined .....						.0	.0.0	.0	.0.0		
6.6 Other .....						.0	.0.0	.0	.0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations .....						.0	.0.0	.0	.0.0		
7.2 Single Class Mortgage-Backed/Asset-Based Securities .....						.0	.0.0	.0	.0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
7.3 Defined .....						.0	.0.0	.0	.0.0		
7.4 Other .....						.0	.0.0	.0	.0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
7.5 Defined .....						.0	.0.0	.0	.0.0		
7.6 Other .....						.0	.0.0	.0	.0.0		
7.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations .....						.0	.0.0	.0	.0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parents, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations .....						.0	.0.0	.0	.0.0		
9.2 Single Class Mortgage-Backed/Asset-Based Securities .....						.0	.0.0	.0	.0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
9.3 Defined .....						.0	.0.0	.0	.0.0		
9.4 Other .....						.0	.0.0	.0	.0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
9.5 Defined .....						.0	.0.0	.0	.0.0		
9.6 Other .....						.0	.0.0	.0	.0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total From Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations	0	2,600,002	0	0	0	2,600,002	100.0	XXX	XXX	2,600,002	0
10.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.3 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Other	0	0	0	0	0	0	0.0	XXX	XXX	0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
10.5 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.6 Other	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.7 Totals	0	2,600,002	0	0	0	2,600,002	100.0	XXX	XXX	2,600,002	0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Issuer Obligations	0	3,201,199	0	0	0	XXX	XXX	3,201,199	100.0	3,201,199	0
11.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.3 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.4 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
11.5 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.6 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.7 Totals	0	3,201,199	0	0	0	XXX	XXX	3,201,199	100.0	3,201,199	0
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations		2,600,002				2,600,002	100.0	3,201,199	100.0	2,600,002	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0	0	XXX
12.3 Defined						0	0.0	0	0.0	0	XXX
12.4 Other						0	0.0	0	0.0	0	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
12.5 Defined						0	0.0	0	0.0	0	XXX
12.6 Other						0	0.0	0	0.0	0	XXX
12.7 Totals	0	2,600,002	0	0	0	2,600,002	100.0	3,201,199	100.0	2,600,002	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations						0	0.0	0	0.0	XXX	0
13.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0	XXX	0
13.3 Defined						0	0.0	0	0.0	XXX	0
13.4 Other						0	0.0	0	0.0	XXX	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
13.5 Defined						0	0.0	0	0.0	XXX	0
13.6 Other						0	0.0	0	0.0	XXX	0
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

Schedule DA - Part 2

NONE

Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY

NONE

Schedule DB - Part C - VBY

NONE

Schedule DB - Part D - VBY

NONE

Schedule DB - Part E - VBY

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S - Part 1 - Section 2

NONE

Schedule S - Part 2

NONE

Schedule S - Part 3 - Section 2

NONE

Schedule S - Part 4

NONE

Schedule S - Part 5

NONE

Schedule S - Part 6

NONE

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only					
			3 Accident & Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums & Deposit Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama AL	No	No						
2. Alaska AK	No	No						
3. Arizona AZ	No	No						
4. Arkansas AR	No	No						
5. California CA	No	No						
6. Colorado CO	No	No						
7. Connecticut CT	No	No						
8. Delaware DE	No	No						
9. District of Columbia DC	No	No						
10. Florida FL	No	No						
11. Georgia GA	No	No						
12. Hawaii HI	No	No						
13. Idaho ID	No	No						
14. Illinois IL	No	No						
15. Indiana IN	No	No						
16. Iowa IA	No	No						
17. Kansas KS	No	No						
18. Kentucky KY	No	No						
19. Louisiana LA	No	No						
20. Maine ME	No	No						
21. Maryland MD	No	No						
22. Massachusetts MA	No	No						
23. Michigan MI	No	No						
24. Minnesota MN	No	No						
25. Mississippi MS	No	No						
26. Missouri MO	No	No						
27. Montana MT	No	No						
28. Nebraska NE	No	No						
29. Nevada NV	No	No						
30. New Hampshire NH	No	No						
31. New Jersey NJ	No	No						
32. New Mexico NM	No	No						
33. New York NY	No	No						
34. North Carolina NC	No	No						
35. North Dakota ND	No	No						
36. Ohio OH	No	No						
37. Oklahoma OK	No	No						
38. Oregon OR	No	No						
39. Pennsylvania PA	No	No						
40. Rhode Island RI	No	No						
41. South Carolina SC	No	No						
42. South Dakota SD	No	No						
43. Tennessee TN	No	Yes			194,478,083			
44. Texas TX	No	No						
45. Utah UT	No	No						
46. Vermont VT	No	No						
47. Virginia VA	No	No						
48. Washington WA	No	No						
49. West Virginia WV	No	No						
50. Wisconsin WI	No	No						
51. Wyoming WY	No	No						
52. American Samoa AS	No	No						
53. Guam GU	No	No						
54. Puerto Rico PR	No	No						
55. U.S. Virgin Islands VI	No	No						
56. Northern Mariana Islands MP								
57. Canada CN	No	No						
58. Aggregate other alien OT	XXX	XXX	0	0	0	0	0	0
59. Subtotal	XXX	XXX	0	0	194,478,083	0	0	0
60. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
61. Total (Direct Business)	XXX	(a) 1	0	0	194,478,083	0	0	0
DETAILS OF WRITE-INS								
5801.	XXX	XXX						
5802.	XXX	XXX						
5803.	XXX	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.:

(a) Insert the number of yes responses except for Canada and other Alien.

**SCHEDULE T – PART 2
INTERSTATE COMPACT – EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, Etc.	Direct Business Only					Totals
	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	
1. Alabama	AL					0
2. Alaska	AK					0
3. Arizona	AZ					0
4. Arkansas	AR					0
5. California	CA					0
6. Colorado	CO					0
7. Connecticut	CT					0
8. Delaware	DE					0
9. District of Columbia	DC					0
10. Florida	FL					0
11. Georgia	GA					0
12. Hawaii	HI					0
13. Idaho	ID					0
14. Illinois	IL					0
15. Indiana	IN					0
16. Iowa	IA					0
17. Kansas	KS					0
18. Kentucky	KY					0
19. Louisiana	LA					0
20. Maine	ME					0
21. Maryland	MD					0
22. Massachusetts	MA					0
23. Michigan	MI					0
24. Minnesota	MN					0
25. Mississippi	MS					0
26. Missouri	MO					0
27. Montana	MT					0
28. Nebraska	NE					0
29. Nevada	NV					0
30. New Hampshire	NH					0
31. New Jersey	NJ					0
32. New Mexico	NM					0
33. New York	NY					0
34. North Carolina	NC					0
35. North Dakota	ND					0
36. Ohio	OH					0
37. Oklahoma	OK					0
38. Oregon	OR					0
39. Pennsylvania	PA					0
40. Rhode Island	RI					0
41. South Carolina	SC					0
42. South Dakota	SD					0
43. Tennessee	TN					0
44. Texas	TX					0
45. Utah	UT					0
46. Vermont	VT					0
47. Virginia	VA					0
48. Washington	WA					0
49. West Virginia	WV					0
50. Wisconsin	WI					0
51. Wyoming	WY					0
52. American Samoa	AS					0
53. Guam	GU					0
54. Puerto Rico	PR					0
55. U.S. Virgin Islands	VI					0
56. Northern Mariana Islands	MP					0
57. Canada	CN					0
58. Aggregate Other Alien	OT					0
59. Totals		0	0	0	0	0

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y
PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability)
	52-1922729	Advocare of Tennessee, Inc					17,503,028				17,503,028	
	62-1621636	Tennessee Behavioral Health, Inc					(17,503,028)				(17,503,028)	
	58-1076937	Magellan Health Services								11,168,341	11,168,341	
	62-1621636	Tennessee Behavioral Health					0			(11,168,341)	(11,168,341)	
9999999 Control Totals			0	0	0	0	0	0	XXX	0	0	0

53

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

Responses

- 1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?YES.....
- 2. Will an actuarial opinion be filed by March 1?YES.....
- 3. Will the Risk-based Capital Report be filed with the NAIC by March 1?SEE EXPLANATION.....
- 4. Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?YES.....

APRIL FILING

- 5. Will Management's Discussion and Analysis be filed by April 1?YES.....
- 6. Will the Supplemental Investment Risks Interrogatories be filed by April 1?YES.....
- 7. Will the Accident and Health Policy Experience Exhibit be filed by April 1?YES.....

JUNE FILING

- 8. Will an audited financial report be filed by June 1?YES.....

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

- 9. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?NO.....
- 10. Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC?NO.....
- 11. Will the Supplemental Property/Casualty data due March 1 be filed with the state of domicile and the NAIC?NO.....
- 12. Will the Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?NO.....
- 13. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1?NO.....

APRIL FILING

- 14. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile by April 1?NO.....
- 15. Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC?NO.....
- 16. Will the Supplemental Property/Casualty Insurance Expense Exhibit due April 1 be filed with any state that requires it, and, if so, the NAIC?NO.....

EXPLANATION:

- 3.
- 9.
- 10.
- 11.
- 12.
- 13.
- 14.
- 15.
- 16.

BAR CODE:

9.  9 5 7 8 0 2 0 0 6 3 6 0 5 9 0 0 0

10.  9 5 7 8 0 2 0 0 6 2 0 5 0 0 0 0 0

11.  9 5 7 8 0 2 0 0 6 2 0 7 0 0 0 0 0

12.  9 5 7 8 0 2 0 0 6 4 2 0 0 0 0 0 0

13.  9 5 7 8 0 2 0 0 6 3 6 5 5 9 0 0 0

14.  9 5 7 8 0 2 0 0 6 3 3 0 5 9 0 0 0

15.  9 5 7 8 0 2 0 0 6 2 1 1 5 9 0 0 0

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES



16.

OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest				Dates		
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	*	F o r e i g n	Bond CHAR	NAIC Designation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	How Paid	Admitted Amount Due & Accrued	Gross Amt. Rec. During Year	Acquired	Maturity
31359M-LU-5	FNMA NOTE					2,600,598		2,600,000	2,600,000	2,600,002			(571)		4.750	4.730		61,332	123,500	12/15/2005	01/02/2007
0199999	Total Bonds - U.S. Government - Issuer Obligations					2,600,598	XXX	2,600,000	2,600,000	2,600,002			(571)		XXX	XXX	XXX	61,332	123,500	XXX	XXX
0399999	Total - U.S. Government Bonds					2,600,598	XXX	2,600,000	2,600,000	2,600,002			(571)		XXX	XXX	XXX	61,332	123,500	XXX	XXX
5499999	Total - Issuer Obligations					2,600,598	XXX	2,600,000	2,600,000	2,600,002	0		(571)	0	XXX	XXX	XXX	61,332	123,500	XXX	XXX
6099999 Totals						2,600,598	XXX	2,600,000	2,600,000	2,600,002	0		(571)	0	XXX	XXX	XXX	61,332	123,500	XXX	XXX

E08

Schedule D - Part 2 - Section 1

NONE

Schedule D - Part 2 - Section 2

NONE

Schedule D - Part 3

NONE

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Year

1 CUSIP Identification	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Maturity Date	
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B/A. C.V. (11 + 12 - 13)	15 Total Foreign Exchange Change in B/A. C.V.							
31359M-RL-9	US Treasury Note		05/15/2006	Matured		600,000	600,000	603,813							600,000			0	6,750	05/15/2006	
0399999	Bonds - U.S. Governments					600,000	600,000	603,813							600,000				6,750	XXX	
6099997	Bonds - Part 4					600,000	600,000	603,813							600,000				6,750	XXX	
6099998	Bonds - Part 5					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6099999	Total - Bonds					600,000	600,000	603,813	0	0	(626)	0	(626)	0	600,000	0	0	0	6,750	XXX	
6599998	Preferred Stocks - Part 5					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6599999	Total - Preferred Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7299998	Common Stocks - Part 5					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7299999	Total - Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7399999	Total - Preferred and Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7499999 Totals						600,000	XXX	603,813	0	0	(626)	0	(626)	0	600,000	0	0	0	6,750	XXX	

E12

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Tennessee Behavioral Health, Inc.

SCHEDULE D - PART 5

Showing all Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

1 CUSIP Identification	2 Description	3 F o r e i g n	4 Date Acquired	5 Name of Vendor	6 Disposal Date	7 Name of Purchaser	8 Par Value (Bonds) or Number of Shares (Stocks)	9 Actual Cost	10 Consideration	11 Book/ Adjusted Carrying Value at Disposal Date	Change in Book/Adjusted Carrying Value					17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Interest and Dividends Received During Year	21 Paid for Accrued Interest and Dividends	
											12 Unrealized Valuation Increase/ (Decrease)	13 Current Year's (Amortization)/ Accretion	14 Current Year's Other Than Temporary Impairment Recognized	15 Total Change In B./A. C.V. (12 + 13 - 14)	16 Total Foreign Exchange Change in B./A. C.V.						
0399999	Bonds - U.S. Governments						0	0	0	0										0	
6099998	Subtotal Bonds						0	0	0	0										0	
								0	0	0									0		
7499999 Totals								0	0	0										0	

E13

Schedule D - Part 6 - Section 1

NONE

Schedule D - Part 6 - Section 2

NONE

Schedule DA - Part 1

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part A - Section 2

NONE

Schedule DB - Part A - Section 3

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part B - Section 2

NONE

Schedule DB - Part B - Section 3

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Part C - Section 3

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DB - Part D - Section 3

NONE

Schedule DB - Part E - Section 1

NONE

Schedule E - Part 2

NONE

Schedule E - Part 3

NONE

Tennessee Behavioral Health, Inc. - East Region
 BHO TennCare Operations Statement of Revenue and Expenses
 For the Year Ending December 31, 2006
 Report 2A

	Current Quarter	Year to Date Total
Member Months	1,285,315	5,175,552
Revenues		
TennCare Capitation	33,776,333	134,940,577
Risk Share	0	0
Investment (Interest)	406,990	1,658,215
Other Revenues	0	0
Total Revenues	34,183,323	136,598,792
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	8,087,571	32,431,862
Inpatient Substance Abuse Treatment and Detox	522,305	2,135,024
Outpatient Mental Health Services	7,158,247	27,044,667
Outpatient Substance Abuse Treatment and Detox	579,444	2,189,183
Housing/Residential Treatment	3,192,546	11,325,561
Specialized Crisis Services	1,217,122	5,241,344
Psychiatric Rehab and Support Services	406,018	1,748,454
Case Management	5,626,669	23,704,677
Forensics		
Other Judicial		
Pharmacy		
Lab Services	52,340	153,820
Transportation	957,709	3,468,363
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	27,799,973	109,442,955
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	27,799,973	109,442,955
Claim Adjustment Expense	337,764	1,349,406
Administration ¹		
Rent	57,360	171,598
Salaries and Wages	1,444,965	6,172,321
Commissions	(8,687)	18,585
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	(6,760)	70,858
Medical examination fees		
Utilization management		
Certifications and accreditation	528	531
Auditing, actuarial and other consulting services	324,900	750,002
Traveling expenses	86,080	225,173
Marketing and advertising	25,338	147,880
Postage, express, telegraph and telephone	49,161	275,466
Printing and stationary	78,811	449,151
Occupancy, depreciation and amortization	756,589	2,813,566
Rental of equipment	(615)	4,369
Outsourced services includes EDP, claims, and other services	(107,353)	(4,961)
Books and periodicals		
Boards, bureaus and association fees	6,941	36,858
Insurance, except on real estate		
Collection and bank service charges	11,642	51,136
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	1,189	3,276
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	675,527	2,698,812
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	10,994	26,685
Investment expenses not included elsewhere		
Write-Ins		
Total Administrative Expenses	3,406,609	13,911,306
Total Expenses	31,544,346	124,703,668
Income/(loss) before allocated income taxes	2,638,977	11,895,125
Benefit (provision) for income taxes	(923,642)	(4,163,294)
Net Income (Loss)	1,715,335	7,731,831

¹ The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.